

THE WALL STREET JOURNAL.

What's News

Business & Finance

- ◆ **Private-equity firms** are buying up skilled-trade small businesses, minting a new class of millionaires across the country and changing a tradition of owners handing down companies to their children or employees. **A1**
- ◆ **More union members** are defying their leadership, voting down contracts that negotiating committees might have spent months hammering out for ratification. **A1**
- ◆ **Apple's Vision Pro** is struggling to attract major software-makers to develop apps for the device, the company's biggest new product in a decade. **B1**
- ◆ **Home Depot** will shed some of the sprawling warehouse space it had added during the pandemic as it grapples with falling sales in an uncertain consumer market. **B3**
- ◆ **"Terrifier 3"** topped the box-office chart with \$18.2 million in domestic ticket sales on its opening weekend. **B2**
- ◆ **A bankruptcy judge** in Texas said J&J's third chapter 11 case seeking to resolve its talc-related liabilities can stay in his court in Houston, keeping it out of New Jersey **B6**
- ◆ **A Seoul semiconductor** suit against a German retailer has led to a United Patent Court ban on LED products violating patent rights in eight European countries simultaneously. **B4**

World-Wide

- ◆ **The Biden administration** is sending an advanced antimissile system to Israel and American troops to operate it, moving to bolster its top Middle East ally's defenses against an Iranian attack, the Pentagon said. **A1**
- ◆ **Israel's military** shared with journalists documents that it said its soldiers found in Gaza and that appear to show financial and military support provided by Iran to Hamas before the Oct. 7 attacks. **A7**
- ◆ **Trump suggested** deploying the National Guard or military to respond to what he termed the "enemy from within" on Election Day, saying he was concerned about the prospect of chaos wrought by "radical left lunatics." **A4**
- ◆ **Trump leads Harris** among swing-state voters 50% to 39% on who is best able to handle Russia's war in Ukraine and has an advantage of 48% to 33% on who is better suited to handle the Israel-Hamas war. **A4**
- ◆ **The vice president's** personal physician gave her a clean bill of health in the runup to Election Day, noting she exercises daily and is up-to-date on preventive screenings. **A4**
- ◆ **Ruth Chepngetich** of Kenya smashed the world record in the women's event by nearly two minutes at the Chicago Marathon, winning in 2:09:56. **A2**
- ◆ **Died: Alex Salmond**, 69, Scotland's former leader. **A9**

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SpaceX Grabs Returning Booster Rocket



WHAT A CATCH! SpaceX caught a towering booster rocket returning to its launchpad in Texas, an engineering milestone for the Starship vehicle at the center of Elon Musk's plans for deep-space exploration. It was SpaceX's first attempt at the catch. **A3.**

Private Equity Pours Millions Into HVAC, Plumbing Trades

By Te-Ping Chen

Aaron Rice has two logos tattooed on his left leg: one from the plumbing business he co-founded more than a decade ago, and another from the private-equity-backed company that recently bought it.

Few businesses are as vital to their customers as local plumbing, heating or air-conditioning companies—especially in places like Tucson, Ariz., where Rice works and residents sweltered in 100-degree

heat most days this summer.

For years, Rice, 43 years old, was skeptical when out-of-state investors offered to buy his company. He assumed most of them knew little about skilled-trade work or his customers. They were just looking to make a buck. But in 2022, when approached by a local HVAC company backed by private equity, he changed his mind, figuring that they knew the business.

"The trades are hard work. A lot of today's society, pick-

ing up a shovel is foreign to them," he said.

Private equity, however, is no foreign player in the skilled trades these days. PE firms across the country have been scooping up home services like HVAC—that is, heating, ventilation and air conditioning—as well as plumbing and electrical companies. They hope to profit by running larger, more profitable operations.

Their growth marks a major shift, taking home-services firms away from family opera-

tors by offering mom-and-pop shops seven-figure and eight-figure paydays. It is a contrast from previous generations, when more owners handed companies down to their children or employees.

The wave of investment is minting a new class of millionaires across the country, one that small-business owners said is helping add more shine to working with a tool belt.

"You don't need to go to Silicon Valley to have a suc-

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U.S. Set To Send Defense System, Troops To Israel

Biden approves anti-missile battery, about 100 soldiers on ground to operate it

WASHINGTON—The Biden administration is sending an advanced antimissile system to Israel along with U.S. troops to operate it, moving to bolster its top Middle East ally's defenses against an Iranian attack, the Pentagon said on Sunday.

By Michael R. Gordon, Lara Seligman and Nancy A. Youssef

The deployment of the Thaad system, a ground-based interceptor designed to shoot down ballistic missiles, marks a significant step in U.S. efforts to directly protect Israel against an enemy attack by putting U.S. soldiers on the ground.

The move comes as U.S. and Israeli officials have been holding talks on a planned Israeli strike on Iran. U.S. officials have urged Prime Minister Benjamin Netanyahu's government not to target Iran's oil facilities.

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- ◆ **Documents link Iran to Oct. 7 attacks, Israel says.....** **A7**
- ◆ **Israel alleges U.N. failure in finding tunnels.....** **A8**

Unions Defy Their Leadership With 'No' Votes on Contracts

By Lauren Weber and Sharon Terlep

Frustrated by inflation eating into their paychecks and empowered by the United Auto Workers' successful strikes last year, union members are sending a message to their own leaders: Do better.

In recent months, members have voted down contracts at Boeing, AT&T, Textron and other companies after their unions' negotiating committees spent months hammering out deals for them to ratify.

Most dramatically, at Boeing, 94% of machinists in the company's largest union voted in September against the proposed contract, which offered 25% wage increases over four

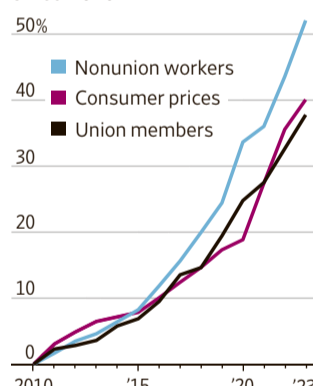
years. Members of the International Association of Machinists and Aerospace Workers chapter had never before rejected a contract recommended by their leaders.

The IAM chapter president had described the deal as a historic raise. "I would like to imagine he did everything he could to secure the best possible deal for his members," said Josh McKenzie, who works at Boeing's 737 factory in Renton, Wash. "At face value, it didn't look bad. But the more I read it, the more it seemed like we'd be in pretty much the same boat."

The typical U.S. union member still has higher earnings than workers who aren't cov-

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Wages and prices, change since 2010



Note: Based on median weekly earnings for full-time employees and the seasonally adjusted consumer-price index. Median pay for union members remains higher than for nonunion workers, but the gap has been closing over the past decade. Source: Labor Department

Mystery Drones Stump Pentagon

Aircraft have flown unhindered over sensitive national-security sites

U.S. Air Force Gen. Mark Kelly wasn't sure what to make of reports that a suspicious fleet of unidentified aircraft had been flying over

By Gordon Lubold, Lara Seligman and Aruna Viswanatha

Langley Air Force Base on Virginia's shoreline.

Kelly, a decorated senior commander at the base, got on a squadron rooftop to see for himself. He joined a handful of other officers responsi-

ble for a clutch of the nation's most advanced jet fighters, including F-22 Raptors.

For several nights, military personnel had reported a mysterious breach of restricted airspace over a stretch of land that has one of the largest concentrations of national-security facilities in the U.S. *The show usually starts 45 minutes to an hour after sunset*, another senior leader told Kelly.

The first drone arrived shortly. Kelly, a career

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In Sailing's Most Famous Race, Britannia Definitely Doesn't Rule

World's greatest naval power aims to end a 173-year drought in the America's Cup

By Joshua Robinson and Jonathan Clegg

The annals of sporting futility are full of sad-sack teams that run into humiliating defeat, season after season, only to come back for more. The NFL's Arizona Cardinals have never won a Super Bowl in 58 years of trying. The Toronto Maple Leafs have gone more than half a century without a Stanley Cup. The Seattle Mariners have never reached a

World Series.

Yet all of those streaks are drops in the ocean compared with Britain's record competing for the world's oldest international sporting trophy.

The America's Cup was invented in Britain and first contested in 1851. And in all that time, the greatest naval power the world has ever seen—the country of Horatio Nelson, Sir Francis Drake and "Britannia Rules the Waves"—has some-

Please turn to page A10

Election to Decide Fate Of Antitrust Crackdown

By Dave Michaels

Voters won't be considering Lina Khan when they go to the polls in November. But who they elect to the White House will decide whether her progressive experiment in antitrust policing survives.

Khan, the 35-year-old chair of the Federal Trade Commission, has been one of President Biden's most prominent agency leaders. As a young academic, she built a surprisingly robust following around a tract that argued antitrust enforcers had shrunk from

their duty to restrain corporate power, while companies such as Amazon.com exploited the opportunity to build unchallenged monopolies.

Khan's FTC tenure got off to a slow start, as employee morale nosedived over concern that she condemned much of their prior work. She quickly withdrew policies that had made it easier for some mergers to clear the FTC's review and started to bring headline-grabbing enforcement actions against Amazon, Microsoft and others. Along the way, she has

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INSIDE



U.S. NEWS

Floridians are reaching a breaking point as storms ratchet up costs and tensions. **A6**

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U.S. NEWS

THE OUTLOOK | By Paul Kiernan and Anthony DeBarros

Economists See Higher Inflation With Trump

Most economists think inflation, interest rates and deficits would be higher under the policies former President Donald Trump would pursue in a second administration than under those proposed by Vice President Kamala Harris, according to a quarterly survey by The Wall Street Journal.

The results of the Oct. 4-8 survey echoed those of the Journal's survey in July, when Trump was facing President Biden. Biden dropped out of the race on July 21, and Harris became the nominee shortly afterward.

Since then, both Harris and Trump have released significant new policy proposals. Harris, for example, has called for new credits for newborn children and home buying, while Trump has proposed tax cuts on overtime pay and Social Security benefits, breaks for auto loan interest and state and local taxes.

The upshot: economists still think Trump's policies are more likely to add to inflation, deficits and interest rates. If anything, the margin has grown since July.

Of the 50 economists who responded to the survey's question on inflation, 68% said prices would rise faster under Trump than under Harris. That was up from 56% in July. Only 12% of the economists thought inflation would be higher under a Harris presidency, while the remainder saw no material difference between the candidates.

"Both candidates have policies that are inflationary," said Dan Hamilton, director of the center for economic research and forecasting at California Lutheran University. But in a

change from their July forecast, Hamilton and his colleague Matthew Fienup now see a second Trump term producing faster price increases due to the former president's tariff plans. "Since July, it became apparent to us that Trump is even more anti-free-trade than Harris," Hamilton said.

Since July, Trump has pledged across-the-board tariffs of 10% to 20% on imported goods, up from his earlier plan to impose 10% tariffs. He has also proposed a 60% or higher tariff on imports from China.

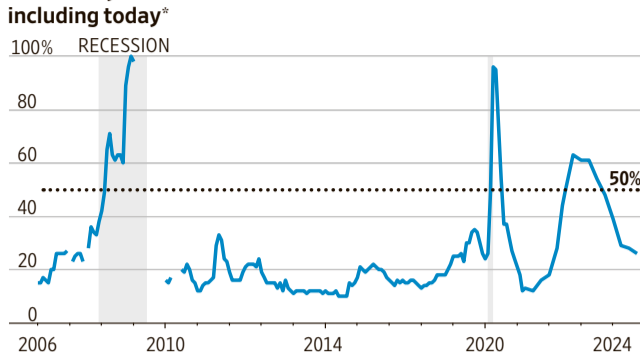
Studies of tariffs imposed when Trump was president found they were often passed through to importers or consumers as higher costs or prices and hurt industries that depend on imported inputs.

"If the tariffs work the way economists think they work, I think people are in for a very nasty surprise," said Philip Marey, senior U.S. strategist at Rabobank.

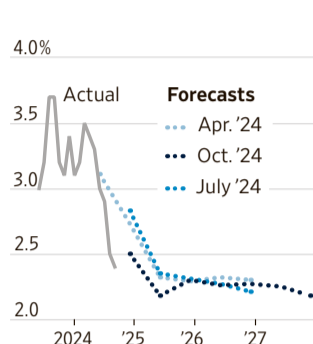
Trump has touted tariffs as a way to bring manufacturing jobs back to the U.S., raise money for the federal government and punish countries that have been "ripping us off for years." He has disputed their downsides, noting that inflation was lower during his presidency—despite a trade war with China and friction with other major trade partners—than under the Biden administration.

"Then—as now—Trump policies will fuel growth, drive down inflation, inspire American manufacturing, all while protecting the working men and women of our nation from lopsided policies tilted in favor of other countries," said Brian Hughes, a senior adviser to the Trump campaign. "These Wall Street elites would be wise

Probability the U.S. is in a recession in next 12 months including today*



Consumer-price index, change from a year earlier, actual and forecasts



To the question: 'Under which presidential candidate's proposed policies is inflation likely to be higher?...'



*Average of economists' answers. Gaps indicate question not asked or data unavailable. †July survey was conducted before President Biden dropped out of race. Sources: Wall Street Journal surveys of economists (recession probabilities, CPI forecasts, survey question on inflation); Labor Department (actual CPI)

to review the record and acknowledge the shortcomings of their past work if they'd like their new forecasts to be seen as credible."

The Journal asked economists to assess the proposed policies of the candidates. Whether those policies are enacted depends on several factors, most important the makeup of Congress.

The Covid-19 pandemic and its aftermath make it hard to directly compare the economic records of Trump and Biden as president. Employment has grown faster under Biden than under Trump, mostly because the pandemic vaporized more than 20 million jobs in early

2020, setting the stage for a dramatic rebound. Inflation reached a 40-year high under Biden, much of that due to pandemic-related supply-chain disruptions and to federal stimulus, some of which was signed into law by Trump.

The Journal's survey asked economists how Trump's proposed broad-based tariffs would affect domestic manufacturing employment within three to five years, relative to a scenario with no such policy. Of the 44 economists who responded, 59% said employment would be lower, while only 16% said it would be higher. The remainder said employment would be the same.

U.S. WATCH

CHICAGO

Kenyan Woman Has Marathon Record

Ruth Chepngetich of Kenya smashed the world record by nearly two minutes at the Chicago Marathon on Sunday, winning in 2:09:56.

The 30-year-old Chepngetich broke the world record set by Tigist Assefa of Ethiopia in 2:11:53 at the 2023 Berlin Marathon.

"I feel so great. I'm very proud of myself," Chepngetich said. She became the first woman to break 2:10 in the marathon.

John Korir of Kenya won the men's race in 2:02:44, besting Huseyin Mohamed Esa of Ethiopia, who finished in 2:04:39.

Korir and Chepngetich ran in honor of the late Kelvin Kiptum of Kenya, who broke the world record by 34 seconds, finishing in 2:00:35, at the 2023 Chicago Marathon.

—Associated Press

ENTERTAINMENT

'Iron Throne' Sold For \$1.49 Million

"Game of Thrones" fans came out in droves to bid on hundreds of costumes, props and other items from the series in an auction that raked in more than \$21 million.

From Thursday through Saturday, the Heritage Auctions event in Dallas featured more than 900 lots including suits of armor, swords and weapons, jewelry and several other items of significance from the HBO series.

The top-dollar item was the very thing the characters in the series vied for throughout its eight-season run: the Iron Throne. After a six-minute bidding war, the throne sold for \$1.49 million.

The replica was made of plastic and molded from the original screen-used version, then finished off with metallic paint and jewel embellishments.

—Associated Press

PE Firms Eye HVAC, Plumbers

Continued from Page One
Successful career and entrepreneurial opportunities," said Brian Rassel, a partner at the Detroit-based Huron Capital.

The paydays

If you live in a big metro area, chances are one of the service trucks you have seen drive by has recently changed hands. Private-equity investors have purchased nearly 800 HVAC, plumbing and electrical companies since 2022, according to data from PitchBook. And those are just the biggest deals—plenty of smaller-scale purchases aren't tracked, and sellers are reluctant to share exact details about their PE payouts.

"Everybody and their uncle owns an HVAC business in the private-equity space today," says Adam Hanover, chairman of Redwood Services. The PE-backed home-services company bought Aaron Rice's business in 2022 and merged it with Rite Way, a larger Tucson-based HVAC operation that Redwood acquired the year before.

Redwood has acquired 35 companies in the past four years. They range from smaller outfits (such as Rice's), which Redwood said it buys outright for an average of \$1 million, to more sizable companies (such as Rite Way), with an average valuation around \$20 million, in which it takes majority stakes.

The trades have long offered solid hourly wages for workers without college degrees. They are also springboards for those with bigger entrepreneurial ambitions.

In Rice's case, he struggled with addiction and had spent five years in prison for selling meth before co-founding his plumbing business in 2012 with his business partner, Mike Nagal. It specialized in sewer inspections and repair. It had 18 employees and was bringing in about \$3 million in revenue a year.

Though the duo hadn't planned to sell, they liked the



fact that the company would become part of Rite Way, another local outfit, and that Redwood wanted owners to continue holding a stake and have a major say in management.

Rice continues to work as a sewer department manager at Rite Way and plans to stay with the company until he retires in seven years at age 50. His co-founder has remained with the company, too.

"I want to hunt, fish, drink beer and cook meat," Rice said.

For private-equity investors, the strategy is one that has been put to use in industries as varied as carwashes and nursing homes: Roll up businesses to create larger players and improve their margins by adding managerial know-how, back-office efficiency and beefed-up marketing and recruiting budgets. Critics of the PE model said that it can mean higher prices for consumers and less competition, but others said it can improve service quality and boost the bottom line.

Building an empire

New ownership has paid off for Rite Way. Under Redwood, the company has gone from \$30 million in annual revenue to around \$70 million.

Along the way, Rite Way acquired companies to expand beyond HVAC, with plumbing

and electrical services. More capital helps it tap a wider customer base. It also helped add dozens of additional service trucks, increased head count, started an apprenticeship program to train new workers and increased sales training for technicians. Redwood also brought in accountants to scrutinize the bottom line.

Small-business owners are often too busy to juggle such an array of tasks, or they charge prices that are years out of date, said Richard Lewis, chief executive of Redwood Services. Redwood's home-services businesses examine their prices on a quarterly basis to ensure they are in line with the market.

If the cost of a screw goes up, it gets passed on to the customer, Lewis said.

"It's taken a lot of stress out of the business," said Rick Walter, Rite Way's former owner. Walter, 67, retains a 25% stake in the company and has agreed to stay on as president for a few more years. After that, he plans to enjoy his retirement with his wife and family—and their Colorado vacation home purchased with proceeds from his company's sale.

"This business has been 60 to 70 hours a week for years," Walter said. "I'd be out till 9 or 10 p.m., selling heating and cooling systems, and she stood behind me the whole time."

A decade ago, nine out of

10 small-business owners in the skilled trades looking for a buyout wanted to retire and be done, said Ted Polk, a managing director at Capstone Partners, a Boston-based investment banking firm. These days, a growing number of them don't want to ride off into the sunset. Around a third are entrepreneurs who want to stay with the company and find ways to grow.

"They see what they can do on their own is a fraction of what they could if they had somebody behind them, saying, 'I'll help you buy these guys and those guys,'" said Polk, who has done deals in the skilled trades ranging from \$30 million to more than \$200 million. "Next thing you know, you're running an empire."

Workers benefit financially, too, said Graham Weaver, founder of private-equity firm Alpine Investors, based in San Francisco. Alpine, an early investor in HVAC companies, said technicians at the HVAC businesses it acquires get a 20% pay bump in the first year after a company is sold, mostly through a combination of higher wages, bonuses and commission. The company has rolled up more than 200 companies across 43 states into a larger service platform, Apex, which did a combined \$2.2 billion in business in the past year.

Given the surging investor



Aaron Rice, above, sold the plumbing company he co-founded to a HVAC company backed by private equity. He is part of a growing class of entrepreneurs in the skilled trades who have sold their companies but aren't yet ready to retire.

pair work, some sounding off in online forums said.

American dream

Selling can also be bitter-sweet. Dana Spears co-founded an HVAC company in Land O'Lakes, Fla., in 2006, later buying it outright in 2008, when it had 14 employees, leaving her with \$4,000 in the bank. When Covid hit, outside investors woke up to the importance of essential businesses like hers. More than 100 offers to buy the company have poured in since 2020.

Spears, 51, resisted selling because she worried about her 100 employees.

"I have employees who've worked for me for 16 years," she said. "I don't want this to be an overnight flip and they don't have a job."

But around her, private equity was buying her peer companies, and she felt outgunned. Her newly acquired competitors could negotiate better pricing and deals on everything from equipment to workers' health insurance.

Earlier this year, after much deliberation and meeting with numerous buyers, she settled on a firm she felt she could trust, P1 Service Group.

Exiting the business was a wrenching decision, but the opportunity also felt too good to pass up, said Spears, who declined to disclose how much the company sold for.

"It's like we're finally seen and recognized," Spears said. "The trades are one of the businesses that, if you have the grit, you can go and do the American dream."

CORRECTIONS & AMPLIFICATIONS

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